

BEGIN — DECEMBER 28, 1958

30.24- 5669

A36

FINANCIAL ROUNDUP BUDGET (750)
BY PETER GROSE

LONDON, DEC. 28 (AP)—WESTERN EUROPE'S LEAP TOWARD FREER FINANCE TRIGGERED POLITICAL ARGUMENTS TODAY--AND SOME UNCERTAINTY ABOUT THE LONG-TERM EFFECT ON PEOPLE'S POCKETBOOKS.

BY THE TIME BANKS OPEN THEIR DOORS TOMORROW MORNING THE CONTINENT'S MAIN TRADING NATIONS, IN THE HOPE OF ENCOOURAGING WIDER TRADE, WILL HAVE RELAXED THE REGULATIONS FOR CONVERTING THEIR MONEY INTO FOREIGN CURRENCIES.

AT THE SAME TIME, FRANCE IS GRABBING FOR A BIGGER SHARE OF INTERNATIONAL MARKETS BY DEVALUING THE FRANC AND MAKING HER GOODS CHEAPER FOR FOREIGN BUYERS.

BUSINESS LEADERS GENERALLY WELCOMED THE DECISIONS ANNOUNCED SATURDAY ALTHOUGH SOME WERE RELUCTANT TO FORECAST THE CONSEQUENCES.

SOCIALIST NEWSPAPERS AND LEFTWING LEADERS LIKE BRITAIN'S HUGH GAITSKELL CALLED THE CURRENCY RELAXATIONS SERIOUS MISTAKES AND FORECAST POSSIBLE DEPRESSION AND INCREASING UNEMPLOYMENT.

UNDER THE CHANGES, MOST OF THE WEST EUROPEAN GOVERNMENTS GUARANTEE TO EXCHANGE FOREIGN HOLDINGS OF THEIR CURRENCIES INTO DOLLARS OR ANY OTHER FORM OF CASH.

THIS LIMITED CONVERTIBILITY WAS ANNOUNCED BY BRITAIN, WEST GERMANY, HOLLAND, BELGIUM, LUXEMBOURG, DENMARK, SWEDEN, NORWAY AND ITALY. FRANCE'S NEWSPAPERS IN VIENNA PREDICTED TODAY THAT THE AUSTRIAN GOVERNMENT SHORTLY WOULD ANNOUNCE FREE CONVERTIBILITY OF ITS SCHILLING.

BUSINESS INTERESTS IN THE COUNTRIES THAT ALREADY HAVE TAKEN THE STEP ACKNOWLEDGED IT WILL MEAN TENSER AND TIGHTER COMPETITION, BUT WERE OPTIMISTIC ABOUT THEIR ABILITY TO MEET IT.

THE WEST BERLIN SUNDAY PAPER DER TAG COMMENTED:

"COVERTIBILITY HAS BEEN IN PREPARATION FOR A LONG TIME. ITS IMPORTANCE EXISTS IN THE FACT THAT FROM NOW ON THE PARTICIPATING COUNTRIES WILL BE FORCED TO COORDINATE THEIR POLICIES AND DISCIPLINE THEIR INTERNAL FINANCE."

"AFTER THE DEVALUATION OF THE FRANC," DER TAG ADDED, "THE PROSPECTS ARE GOOD THAT THE FRENCH ECONOMY WILL AGAIN BECOME COMPETITIVE."

LONDON'S SOCIALIST REYNOLDS NEWS SAID HOWEVER THAT CONVERTIBILITY "MAY COST BRITAIN VERY DEAR IN GOLD AND DOLLARS."

"THE FRANC DEVALUATION WILL INTENSIFY FRENCH COMPETITION IN EUROPE WITH OUR GOODS, PARTICULARLY CARS AND TEXTILES."

WELL-INFORMED DUTCH ECONOMISTS REPORTED THE MONETARY MOVES WILL HAVE A FAVORABLE EFFECT ON EUROPEAN TRADE--IF THEY ARE NOT FOLLOWED BY PROTECTIONIST TRADE MEASURES.

UNTIL THE CHANGE, FOR EXAMPLE, ANYONE WHO SOLD GOODS TO BRITAIN FOR POUNDS HAD TO PAY MORE THAN THE OFFICIAL RATE TO CONVERT THESE POUNDS INTO OTHER CURRENCIES.

THIS MEANT THAT SUCH TRADERS TENDED TO BE RESTRICTED IN THEIR FOREIGN BUYING TO COUNTRIES WHICH WOULD ACCEPT POUNDS. THE SAME WAS TRUE IN THE CASES OF THE OTHER CURRENCIES.

STARTING TOMORROW, IF A SELLER EARNS POUNDS HERE BUT WANTS TO BUY GOODS FROM GERMANY IN MARKS, BRITAIN WILL CONVERT THE POUNDS INTO MARKS AT THE OFFICIAL RATE WITHOUT ANY LOSS TO THE TRADER.

FOR THIS SYSTEM OF CONVERTIBILITY TO WORK, EACH COUNTRY MUST HAVE ENOUGH RESERVES OF FOREIGN CURRENCIES TO BE ABLE TO MEET ANY DEMAND THAT COULD ARISE.

MANY CRITICS SAY EUROPE'S RESERVES ARE NOT LARGE ENOUGH. "WE HAVE NOT A SUFFICIENT RESERVE OF GOLD AND DOLLARS TO MAKE THIS A SAFE GAMBLE," LONDON'S REYNOLDS NEWS SAID.

DER TAGESSPIEGEL, A WEST BERLIN INDEPENDENT PAPER, COMMENTED:

"IT IS NOW THE TASK OF THE FRENCH GOVERNMENT TO MOBILIZE THE RESERVES AVAILABLE IN THE COUNTRY AND TO REMOVE THE MISTRUST OF THE FRENCH MONEY SAVERS IN THEIR OWN CURRENCY."

POSSIBLE LOSS OF CONFIDENCE, AND A CONSEQUENT RUSH TO GET OUT OF A WEAK CURRENCY INTO A STRONG ONE, ARE FREQUENTLY CITED AS THE MOST SERIOUS DANGERS.

BUT OTHERWISE REACTIONS WERE GENERALLY ENTHUSIASTIC.

THE POPULAR BRITISH NEWSPAPER, THE PEOPLE, DECLARED "THE POUND CAN NOW COMPETE ON EQUAL TERMS EVEN WITH THE MIGHTY DOLLAR."

THE LIBERAL NEWSPAPER POLITIKEN OF COPENHAGEN PROCLAIMED:

"THIS IS IN A WAY A GREAT DAY FOR WESTERN EUROPE--AN INFERIORITY COMPLEX OF MANY YEARS' STANDING TOWARDS THE HARD CURRENCY DOLLAR HAS NOW DISAPPEARED."

NO EXPERT VENTURED ANY SPECIFIC PREDICTIONS ABOUT THE EFFECT LIMITED CONVERTIBILITY WOULD HAVE ON THE EUROPEAN COMMON MARKET DUE TO OPEN JAN. 1.

BEFORE THE DEVALUATION, ECONOMISTS HAD CONSIDERED THE FRENCH ECONOMY THE WEAKEST AMONG THE SIX NATIONS WHICH WILL START ALONG THIS ROAD TO ECONOMIC INTEGRATION NEXT WEEK.

THIS INVOLVES A START TOWARD A COMMON TARIFF BORDER TO ENCOURAGE TRADE AMONG THEMSELVES, THE SAME AS AMONG THE STATES OF THE UNITED STATES.

THE OTHER FIVE MEMBERS ARE BELGIUM, LUXEMBOURG, HOLLAND, WEST GERMANY AND ITALY.

IN FRANCE OPINION WAS RESERVED. THE COUNTRY'S ONLY SUNDAY PAPER, LE JOURNAL DU DIMANCHE, CARRIED NO COMMENTS ON THE FRENCH DECISIONS.

FRENCH PEOPLE SEEMED TO BE MORE CONCERNED ABOUT THE INCREASED TAXES OF THE DE GAULLE BUDGET, ANNOUNCED AT THE SAME TIME AS DEVALUATION, THAN WITH THE COMPLICATED INTERNATIONAL IMPLICATIONS.

OUTSIDE EUROPE, THE FINANCE MINISTERS OF AUSTRALIA AND NEW ZEALAND DESCRIBED BRITAIN'S MOVE AS EVIDENCE THAT THE BRITISH ECONOMY HAS RECOVERED FROM THE WAR.

NORDMEYER WELLINGTON, FINANCE MINISTER OF NEW ZEALAND, SAID IF STERLING REMAINED STRONG "WE COULD LOOK FORWARD TO FURTHER PROGRESS IN REMOVING REMAINING RESTRICTIONS ON TRADE WITH THE DOLLAR AREA."

IN WASHINGTON, THE STATE DEPARTMENT WELCOMED THE CURRENCY SHAKEUP AS FURTHER EVIDENCE OF WEST EUROPE'S STRONGER ECONOMIC POSITION.

PER JACOBSSON, MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND, SAID THE MOVES WOULD "HELP IN THE INTERNATIONAL EXCHANGE OF GOODS AND SERVICES."

IN TOKYO, ECONOMIC LEADERS TOOK THE VIEW, HOWEVER, THAT JAPAN'S TRADE WITH THE STERLING AREA WOULD BE HARD HIT BY MAKING THE BRITISH POUND CONVERTIBLE.

THERE WAS A RUSH OF POUND BUYING BY JAPANESE TRADING FIRMS HOPING

TO SETTLE PROMPTLY THEIR IMPORTS OF RAW OIL AND RAW WOOL FROM THE STERLING AREAS.

THE JAPANESE PRESS -- QUOTING THE FOREIGN OFFICE, AND FINANCE OFFICE AMONG OTHERS -- SAID CONVERTIBILITY LIFTS THE RESTRICTIONS ON BUYING AMERICAN PRODUCTS IN STERLING AREAS.

THERE WERE FEARS THIS WOULD LEAD TO AN INFLUX OF AMERICAN GOODS INTO STERLING AREAS WHERE JAPAN HAS PROFITABLE MARKETS.

SWEDISH INTERESTS LOOKED FORWARD TO INCREASED TRADE WITH THE UNITED STATES. THE LABOR NEWSPAPER AFTONBLADET SAID "THERE ARE NO LONGER ANY BARRIERS FOR BUYING GOODS IN THE U.S. OR IN OTHER COUNTRIES CURRENCYWISE CONNECTED TO THE DOLLAR REGION. EARLIER SPECIAL PERMISSIONS WERE NECESSARY IN ORDER TO IMPORT GOODS FROM THIS REGION."

CANADIAN PRIME MINISTER JOHN DIEFENBAKER SAID ANY ACTION INTENDED TO "LIFT THE BOOM" ON WORLD TRADE SHOULD BE COMMENDED.

DIEFENBAKER SAID "FREER TRADE STEPS NOW TAKEN WILL MEAN AN EXPANDING WORLD TRADE. INsofar AS THE UNITED KINGDOM IS CONCERNED THE ACTION CONSTITUTES A MAJOR STEP FORWARD."

SZ425PES

A102

EUROPEAN CONVERTIBILITY INTERPRETIVE (600)

BY THE ASSOCIATED PRESS

LONDON, DEC. 28 (AP)--WESTERN EUROPE WILL HAVE CONVERTIBLE CURRENCY TOMORROW FOR THE FIRST TIME SINCE WORLD WAR II.

ECONOMISTS SEEM TO THINK IT'S A GOOD THING.

THEY SAY IT WILL PROMOTE FREE TRADE; ALLOW PEOPLE TO DO WHAT THEY WANT TO WITH THEIR MONEY; MAKE WEST EUROPEAN GOVERNMENTS STRONG AND RICH.

WHAT DOES ALL THIS MEAN TO ORDINARY PEOPLE? TOMORROW MORNING THE CURRENCIES OF THE FOLLOWING COUNTRIES WILL BE PARTLY CONVERTIBLE: BRITAIN, FRANCE, WEST GERMANY, HOLLAND, BELGIUM, LUXEMBOURG, DENMARK, SWEDEN, NORWAY, AND ITALY.

LET'S LOOK AT IT IN EVERYDAY TERMS.

THINK OF YOUR PERSONAL CHECK. YOU CAN CASH IT AT YOUR BANK OR AT A FEW STORES WHERE YOU HAVE AN ARRANGEMENT.

AS LONG AS YOU'RE ONLY INTERESTED IN THESE STORES, THE CHECK IS USEFUL TO YOU.

BUT IF YOU WANT TO BUY SOMETHING SOMEWHERE ELSE, THEY WON'T TAKE YOUR CHECK AND YOU MIGHT AS WELL NOT HAVE ANY MONEY AT ALL.

THIS IS WHAT THE EUROPEAN CURRENCIES WERE LIKE UNTIL THIS WEEKEND. IF YOU HAD A POCKET FULL OF MARKS, OR FRANCS, OR POUNDS, YOU COULD SPEND THEM ONLY IN THEIR OWN COUNTRIES--GERMANY, FRANCE, OR ENGLAND.

SOMETIMES YOU COULD ALSO SPEND THEM IN OTHER COUNTRIES, IF THE DEALER WAS WILLING TO ACCEPT THEM.

BUT IF YOU WANTED TO SPEND THEM ANYWHERE ELSE, YOU WOULD LOSE MONEY BY HAVING TO EXCHANGE THEM THROUGH AN AGENT, WHERE YOU MIGHT GET LESS THAN THEY ARE OFFICIALLY WORTH.

NOW THINK OF A TRAVELER'S CHECK. IT WILL BE ACCEPTED ANYWHERE FOR A STATED AMOUNT. YOU MIGHT AS WELL HAVE A NUGGET OF GOLD. YOU CAN SAY THIS CHECK CAN BE "CONVERTED" INTO ANY KIND OF MONEY.

THIS IS WHAT A CONVERTIBLE CURRENCY IS--A FRANC, OR MARK, OR POUND THAT CAN BE CHANGED INTO ANY OTHER CURRENCY ITS OWNER WANTS.

IF YOU WANT TO BUY SOMETHING IN ENGLAND TOMORROW MORNING, THE DEALER WILL TAKE THE GERMAN MARKS YOU MAY HAPPEN TO HAVE WITH YOU INSTEAD OF INSISTING THAT YOU GIVE HIM POUNDS.

HE WILL BE WILLING TO TAKE THEM BECAUSE HE KNOWS THAT HE CAN CONVERT THOSE MARKS INTO POUNDS WITHOUT ANY TROUBLE--JUST LIKE A TRAVELLER'S CHECK.

THE COUNTRIES OF EUROPE HAVE AGREED, STARTING TOMORROW, TO TAKE THEIR CURRENCIES FROM ANY FOREIGNER WHO HAPPENS TO POSSESS SOME AND GIVE HIM IN EXCHANGE ANY OTHER CURRENCY HE WANTS.

THESE NATIONS FEEL THEY HAVE ENOUGH FOREIGN CURRENCIES IN THEIR SAFES TO BE ABLE TO ANSWER THE DEMAND FOR EXCHANGE.

THIS IS ONLY A LIMITED CONVERTIBILITY, BECAUSE THE GOVERNMENTS WON'T AGREE TO GIVE THEIR OWN RESIDENTS ANY KIND OF FOREIGN CURRENCY THEY WANT.

THEY ARE ONLY WILLING--AT THIS STAGE--TO CONVERT THEIR OWN CURRENCY WHEN IT IS HELD BY SOMEONE OUTSIDE THE COUNTRY.

FULL CONVERTIBILITY, WHICH WOULD ALLOW EVEN RESIDENTS OF A COUNTRY TO GET ANY FOREIGN MONEY THEY WANT, IS STILL A GOAL--BUT A DISTANT ONE.

TAKE THIS EXAMPLE:

A TYPEWRITER MAKER IN ITALY SELLS SOME OF HIS MACHINES IN BRITAIN, FOR WHICH HE IS PAID IN BRITISH POUNDS. WITH THIS MONEY HE WANTS TO BUY A GERMAN CAR.

UP TO NOW HE COULD ONLY HAVE BOUGHT AN ENGLISH CAR WITH HIS POUNDS, UNLESS HE HAPPENED TO FIND A GERMAN MANUFACTURER WHO WOULD ACCEPT POUNDS IN PAYMENT, OR UNLESS HE WAS WILLING TO TAKE THE LOSS OF EXCHANGING THE POUNDS INTO GERMAN MARKS THROUGH A PRIVATE DEALER.

STARTING TOMORROW THE ITALIAN TYPEWRITER MAKER WILL BE COMPLETELY UNRESTRICTED ON WHERE HE BUYS HIS CAR--THE BRITISH GOVERNMENT WILL GIVE HIM ANY KIND OF CURRENCY HE WANTS FOR HIS POUNDS AT THE OFFICIAL RATE OF EXCHANGE.

SO CONVERTIBILITY SEEMS BOUND TO MAKE TRADE FREER.

ITS ADVOCATES ALSO HOPE IT WILL STIMULATE TRADE AND MAKE MORE PEOPLE WANT TO BUY FOREIGN GOODS RATHER THAN SETTLE FOR THEIR OWN DOMESTIC PRODUCTS.

EVERY COUNTRY STANDS TO GAIN IF ITS PRODUCTS ARE GOOD ONES, BUT IT WILL HAVE TO COMPETE MUCH HARDER THAN BEFORE.

DOES THIS NEW CONVERTIBILITY AFFECT A TOURIST? NOT DIRECTLY.

IF HE HAPPENS TO HAVE SOME EXTRA MARKS IN HIS POCKET BEFORE FLYING HOME TO AMERICA HE WILL BE ABLE TO CHANGE THEM INTO DOLLARS AT THE OFFICIAL RATE.

FRANCE IS A SPECIAL CASE, BECAUSE IN ADDITION TO MAKING THE FRANC CONVERTIBLE IT HAS BEEN DEVALUED. IT NOW TAKES 494 FRANCS TO EQUAL ONE DOLLAR, INSTEAD OF 420.

THIS MEANS THAT EVERY AMERICAN TOURIST ARRIVING IN FRANCE FROM TOMORROW ON WILL BE ABOUT 74 FRANCS RICHER FOR EACH DOLLAR HE EXCHANGES. THIS MAY BE A REAL ADVANTAGE, UNLESS PRICES IN FRANCE GO UP AND WIPE OUT THE INCREASE.

IN ITALY AND WEST GERMANY CONVERTIBILITY WILL MAKE LITTLE DIFFERENCE TO THE MAN IN THE STREET.

WEST GERMANS, WHOSE CURRENCY IS PERHAPS THE STRONGEST IN EUROPE, HAVE HAD NO TROUBLE TRAVELING ABROAD WITH THEIR MARKS. WEST GERMAN BUSINESSMEN NOW MAY FIND THAT THE NEW CONVERTIBILITY WILL MEAN THAT THEIR CURRENCY IS USED MORE AND MORE IN INTERNATIONAL TRADE.

ITALIANS ARE MORE WORRIED ABOUT THE DEVALUATION OF THE FRANC THAN ANY CHANGE IN THEIR OWN STURDY LIRA, WHICH HAS BEEN RELATIVELY EASY TO CONVERT INTO FOREIGN CURRENCIES WITHOUT TAKING A BIG LOSS.

THE BIG GAINERS IN ITALY PROBABLY WILL BE BRITONS WHO LIVE THERE. IN THE PAST THEY HAVE LOST MONEY CONVERTING THEIR POUNDS INTO LIRA.

THE LOSERS ARE LIKELY TO BE THE MANY NORTH ITALIANS WHO GET MONEY FROM SONS WORKING IN FRANCE OR THOSE WHO HAVE BUSINESS INTERESTS THERE.

SZ949PES

A87

(150)

LONDON, DEC. 28 (AP)—DIPLOMATIC OBSERVERS SUGGESTED TODAY THERE WAS AN INCREASING POSSIBILITY THAT SOVIET EX-PREMIER GEORGI

MALENKOV WILL BE PUT ON TRIAL FOR TREASON.

A CALL FOR ACTION AGAINST HIM, THEY SAID, MAY BE ISSUED AT NEXT MONTH'S CONGRESS OF THE SOVIET COMMUNIST PARTY.

MALENKOV HAS BEEN THE TARGET OF INCREASINGLY BITTER ATTACKS AS A MEMBER OF THE ANTI-PARTY GROUP OF TOP COMMUNISTS BANISHED FROM THEIR POSTS BY COMMUNIST CHIEFTAIN NIKITA KHRUSHCHEV.

MOSCOW RADIO, IN A CHRISTMASTIDE BROADCAST, POINTED OUT THE NEWLY REVISED SOVIET LEGAL CODE SPECIFIES THAT TREASON INCLUDES NOT ONLY ESPIONAGE AND RELATED CRIMES BUT "CONSPIRING FOR THE PURPOSE OF SEIZURE OF POWER."

THE CODE SPECIFIES THAT CONVICTION CARRIES THE DEATH PENALTY.

CONSPIRACY TO SEIZE POWER IS WHAT MALENKOV AND HIS FELLOWS--V.M. MOLOTOV, LAZAR KAGANOVICH, AND DMITRI SHEPILOV WERE ACCUSED OF. ONE OF THEIR ACCUSERS ON THIS SCORE IS THEIR CONFESSED ACCOMPLICE NIKOLAI BULGANIN, A FORMER PREMIER.

ML517PES

A65

BERLIN, DEC. 28 (AP)—WEST BERLIN'S RULING SOCIALIST PARTY TODAY ENDORSED A SHARP REJECTION BY LORD MAYOR WILLY BRANDT OF MOSCOW'S BERLIN PLAN FOR A FREE CITY.

ADDRESSING AN EXTRAORDINARY SOCIALIST CONVENTION, MAYOR BRANDT CALLED THE SOVIET MOVE "AN UNBELIEVABLE ABUSE OF POLITICAL POWER FOR BLACKMAIL AND THE ANNOUNCEMENT OF A CLEAR BREACH OF INTERNATIONAL LAW."

DF356PES

A24

BERLIN BUDGET (750)

BY SEYMOUR TOPPING

BERLIN, DEC. 28 (AP)—SOVIET PREMIER NIKITA KHRUSHCHEV HAS ADOPTED EAST GERMANY AS HIS PET SATELLITE FOR 1959.

ONCE THE SNUBBED OUTSIDER OF THE COMMUNIST BLOC, EAST GERMANY COCKILY ENTERS THE NEW YEAR RAKING IN RUBLES AND SOVIET DIPLOMATIC FAVORS.

KHRUSHCHEV HOPES TO MAKE THE SATELLITE A SHOWCASE OF COMMUNISM TO OFFSET PROSPEROUS WEST GERMANY.

AFTER DRAINING THEIR PUPPET STATE FOR YEARS OF GOODS AND MONEY, THE RUSSIANS HAVE STARTED TO INVEST MORE IN ITS BIG INDUSTRIAL PROJECTS THAN WHAT THEY ARE SYPHONING OFF.

BEGINNING NEW YEAR'S DAY THE EAST GERMANS NO LONGER WILL HAVE TO PAY THEIR ANNUAL BILL OF 600 MILLION MARKS (240 MILLION DOLLARS AT THE INFLATED OFFICIAL RATE) TO SUPPORT THE 400,000 RUSSIANS TROOPS IN THEIR COUNTRY.

"USE THE MONEY TO BOOST YOUR LIVING STANDARDS," KHRUSHCHEV HAS SAID.

THE EAST GERMAN REDS ARE PURRING OVER THE WORLD ATTENTION DIRECTED AT THEIR REGIME BY KHRUSHCHEV'S PLEDGE TO END THE FOUR-POWER OCCUPATION OF BERLIN BY JUNE.

THE SATELLITE LEADERS HARDLY EXPECT THE UNITED STATES, BRITAIN AND FRANCE TO YIELD TO THE SOVIET PREMIER'S DEMAND FOR WITHDRAWAL OF THEIR 9,000 SOLDIERS FROM BERLIN.

BUT THE TOKEN SOVIET WITHDRAWAL FROM EAST BERLIN WILL BACK UP THEIR CLAIMS THAT THE CITY IS THEIR CAPITAL.

BY TAKING OVER THE SOVIET CONTROLS OF ALLIED SUPPLY LINKS TO WEST BERLIN, THE EAST GERMANS HOPE TO FORCE PRACTICAL WESTERN RECOGNITION OF THEIR REGIME.

30.24- 5671

PREMIER OTTO GROTEWOHL, WHO LEAVES SHORTLY ON A PRESTIGE-BUILDING TOUR OF ASIA AND THE MIDDLE EAST, PREDICTS:

"THERE CAN BE NO DOUBT THAT NORMAL DIPLOMATIC RELATIONS WILL VERY SOON BE ESTABLISHED BETWEEN THE GERMAN DEMOCRATIC REPUBLIC AND A NUMBER OF CAPITALIST STATES. THIS IS A NATURAL DEVELOPMENT WHICH NO POWER CAN HALT."

THE EAST GERMANS SLOWLY HAVE BEGUN TO DRESS UP THEIR BOMB-SHATTERED AND DILAPIDATED EAST GERLIN CAPITAL.

THE RUSSIAN-STYLED BIG SHOW BOULEVARD, STALINALLEE, IS TO BE EXTENDED INTO THE CENTER OF EAST BERLIN. SOME OF THE RUINS THAT PRESENT SUCH A SHOCKING CONTRAST TO PROSPEROUS WEST BERLIN ARE BEING CLEARED AWAY.

SHOPEES DISPLAY A FEW ATTRACTIVE IMPORTED ITEMS, SUCH AS CZECH DRESSES AND ITALIAN SHOES. AMID THE GENERAL RUN OF SHODDY GOODS.

WITH THE EXCEPTION OF CZECHOSLOVAKIA, LIVING STANDARDS IN EAST GERMANY ARE HIGHER THAN IN ANY OTHER COMMUNIST COUNTRY, INCLUDING RUSSIA.

BUT THE 17 MILLION EAST GERMANS STILL LEAD A SHABBY EXISTENCE COMPARED TO THE 50 MILLION BETTER DRESSED, FED AND HOUSED WEST GERMANS. THIS MARGIN MAY BE CUT DOWN BY A NEW CONSUMER GOODS PROGRAM WORKED OUT WITH THE RUSSIANS.

BY PUSHING A RUTHLESS AND OFTEN WASTEFUL CRASH BUILDUP OF HEAVY INDUSTRY, EAST GERMANY HAS ACHIEVED NO. 2 RANK BEHIND RUSSIA IN INDUSTRIAL IMPORTANCE WITHIN THE SOVIET BLOC.

THE RUSSIANS HAVE PLEDGED BIG INCREASES IN DELIVERIES OF RAW MATERIALS. THE EAST GERMANS BOAST THEY WILL OVERTAKE THE WEST GERMAN PER CAPITA PRODUCTION BY 1961.

SOVIET PLANNERS CAREFULLY ARE INTEGRATING THE EAST GERMAN INDUSTRIAL MACHINE WITH THE REST OF THE SOVIET BLOC.

A HUGE SOVIET PIPELINE IS TO BE EXTENDED TO SAXONY--THE RUHR OF EAST GERMANY--TO INCREASE OIL DELIVERIES 500 PER CENT OVER THE NEXT SEVEN YEARS.

MOST OF THE TOTAL OF FIVE MILLION TONS OF OIL WILL GO TO BIG CHEMICAL FACTORIES FOR PLASTICS PRODUCTION. THIS OUTPUT IS AIMED AT REDUCING CONSUMER GOODS SHORTAGES IN THE SOVIET BLOC.

AS THE SATELLITE NATION TAKES ON NEW IMPORTANCE, THE RUSSIANS ARE TREATING EAST GERMAN LEADERS--AT LEAST PUBLICLY--WITH MORE RESPECT. THERE IS CLOSE CONSULTATION AND FREQUENT EXCHANGES OF POLITICAL AND TECHNICAL MISSIONS.

RUSSIA RUNS EAST GERMANY IN THE SAME WAY IT MANAGES MOST OF THE OTHER SATELLITES--THROUGH DIPLOMATIC AND COMMUNIST PARTY CHANNELS, RATHER THAN THROUGH DIRECT SUPERVISION.

ONE BIG DIFFERENCE IS THE PRESENCE OF A MUCH LARGER GARRISON OF RUSSIAN TROOPS THAN IN OTHER SATELLITES. IT INCLUDES 22 CRACK DIVISIONS AND SUPPORTING AIR UNITS.

SOVIET TROOPS IN EAST GERMANY PLAY A KEY ROLE. THEY REPRESENT THE SOVIET'S MAIN STRIKING FORCE CONFRONTING THE ATLANTIC PACT DEFENSE LINE.

THE RUSSIAN GARRISON ALSO SERVES TO KEEP THE EAST GERMAN PEOPLE IN LINE.

THE EAST BERLIN REGIME PROBABLY ENJOYS LESS SUPPORT FROM ITS PEOPLE THAN ANY OTHER SATELLITE GOVERNMENT. MOST WESTERN EXPERTS BELIEVE IT WOULD BE OVERTHROWN IN A MATTER OF DAYS IF RUSSIAN TROOPS WERE PULLED OUT.

EAST GERMAN SECURITY FORCES ARE OF DUBIOUS RELIABILITY. THE RUSSIANS HAVE EQUIPPED AND TRAINED AN EAST GERMAN ARMY OF ABOUT 100,000 MEN, AS WELL AS AN EMBRYO AIR FORCE AND NAVY. THESE FORCES-- TOGETHER WITH THE RUSSIAN TROOPS IN THE SATELLITE--COME UNDER THE WARSAW PACT HEADQUARTERS, THE COMMUNIST EQUIVALENT OF THE ATLANTIC PACT COMMAND.

GG139PES

A76

HAIFA, DEC. 28 (AP)--ISRAELI POLICE HAVE DETAINED FOR QUESTIONING EIGHT ISRAELI ARABS WHO CLAIM THEY WERE EXPELLED FROM SYRIA. THEY SECRETLY CROSSED THE BORDER FROM ISRAEL TWO MONTHS AGO, THEY SAID, AFTER BEING INTERROGATED BY SYRIAN OFFICIALS ON SECURITY AND ECONOMIC MATTERS IN ISRAEL.

RS435PES

A105

DAMASCUS, DEC. 28 (AP)--PETER NIKITIN, RUSSIAN DEPUTY DIRECTOR OF FOREIGN ECONOMIC AFFAIRS FLEW INTO DAMASCUS TODAY TO CONFER ON DETAILS OF WORKING OUT THE 1957 SYRIAN-SOVIET ECONOMIC COOPERATION AGREEMENT.

DY637PES

A30

(220)

BY TOM MASTERSON

BEIRUT, LEBANON, DEC. 28 (AP)--THE LEADER OF ALL MIDDLE EAST COMMUNISTS HAS FLED DAMASCUS TO ESCAPE AN ANTI-COMMUNIST PURGE, IT WAS RELIABLY REPORTED TODAY.

KHALID BAGDASH WAS SAID TO HAVE LEFT SYRIA SECRETLY AS SOON AS THE PURGE GOT UNDER WAY LAST WEEK.

THE PURGE WAS SET OFF BY U.A.R. PRESIDENT NASSER IN A SPEECH AT PORT SAID IN WHICH HE MADE HIS FIRST ATTACK AGAINST MIDDLE EAST REDS. BAGDASH'S WHEREABOUTS IS STILL UNKNOWN.

IN BEIRUT, INTERIOR MINISTER RAYMOND EDDE DENIED REPORTS BAGDASH HAD COME TO LEBANON.

SINCE THE PURGE BEGAN TWO STREET FIGHTS HAVE BROKEN OUT IN DAMASCUS. BETWEEN 20 AND 25 STUDENTS WERE REPORTED INJURED YESTERDAY AT THE SYRIAN UNIVERSITY WHEN COMMUNISTS AND PRO-NASSER STUDENTS CLASHED.

FIVE STUDENTS WERE REPORTED INJURED IN AN EARLIER FIGHT SET OFF WHEN A COMMUNIST GIRL STUDENT TORE UP A PICTURE OF IRAQI COL. ABDUL SALAM ARIF.

ARIF WAS ONE OF THE TWO LEADING INSTIGATORS OF IRAQ'S JULY REVOLUTION THAT OVERTHREW THE MONARCHY. HE TURNED STRONGLY PRO-NASSER AND HAS BEEN JAILED IN BAGHDAD BY PREMIER ABDEL KARIM KASSEM.

SINCE NASSER'S ANTI-COMMUNIST PURGE BEGAN IN SYRIA THE COMMUNIST NEWSPAPER AN NOOR HAS STOPPED PUBLISHING THERE. ITS OFFICE HAS BEEN CLOSED AND SEALED.

INFORMED SOURCES SAID COMMUNIST LEADERS HAVE BEEN PREPARING FOR TWO MONTHS TO GO UNDERGROUND AND THE PURGE HAD NOT CAUGHT THEM BY SURPRISE.

BAGDASH ONLY RECENTLY RETURNED TO SYRIA FROM COMMUNIST BLOC COUNTRIES IN EASTERN EUROPE. HE FLED THERE LAST FEBRUARY, FOLLOWING THE MERGING OF SYRIA AND EGYPT INTO ONE COUNTRY. THE COMMUNISTS OPPOSED THE MERGER BECAUSE IT MADE POLITICAL PARTY ACTIVITIES ILLEGAL.

ML158PES

A7

SEOUL, DEC. 28 (AP)--TWO ARMED MEN BELIEVED TO BE NORTH KOREAN ESPIONAGE AGENTS ATTACKED A SOUTH KOREAN ARMY POST ALONG THE WESTERN FRONT LINE AND KILLED ONE SOLDIER THURSDAY NIGHT. POLICE FORCES HAVE BEEN SEARCHING THE AREA, SOME 30 MILES NORTH OF SEOUL, FOR THE ASSAILANTS.

JF1210PES

A70

(120)

JAKARTA, INDONESIA, DEC. 28 (AP)--PRESIDENT TITO OF COMMUNIST YUGOSLAVIA SAILED FROM JAVA FOR THE ISLAND OF BALI TODAY AFTER TELLING PRESIDENT SUKARNO "DURING THESE FEW DAYS WE HAVE SEEN OUR RELATIONS STRENGTHENED."

TITO TOOK INDONESIAN PREMIER DJUANDA AND FOREIGN MINISTER SUBANDRIO ON THE 600-MILE VOYAGE ABOARD HIS FLAGSHIP GALEB TO CONTINUE POLICY TALKS BEGUN SATURDAY.

THEY WILL BE JOINED AT BALI TUESDAY BY SURKANO AND SIX PLANELOADS OF OFFICIALS AND NEWSMEN.

THE REMARKS OF TITO, WHO IS STRIVING TO STIMULATE PRESSURE FROM NEUTRALIST NATIONS AGAINST COLD WAR BLOCS, SHOWED A BROAD AREA OF AGREEMENT.

SUKARNO HAILED THE YUGOSLAV COMMUNIST LEADER AS A COMRADE, SAYING "IT IS NOT ENOUGH THAT TITO AND SUKARNO ARE COMRADES BUT THE PEOPLE OF YUGOSLAVIA AND INDONESIA MUST BECOME REAL FRIENDS AND COMRADES BOTH IN POLITICAL AND SOCIAL IDEALS."

S7416PES

A4

TAIPEI, DEC. 28 (AP)--WOMEN'S ORGANIZATIONS IN FORMOSA HAVE MADE AN APPEAL TO THE FREE WORLD FOR CONCRETE ACTION TO RESTORE TO WOMEN OF RED CHINA THEIR TRADITIONAL FAMILY LIFE.

THEY COMPLAINED THAT THE REDS HAD SEPARATED WOMEN FROM THEIR FAMILIES AND CONDEMNED THEM TO FORCED LABOR.

AMONG THOSE TO WHOM THE APPEAL WAS SPECIFICALLY ADDRESSED WERE PRESIDENT AND MRS. EISENHOWER AND DAG HAMMARSKJOLD U.N. SECRETARY GENERAL.

JF1207PES

A71

(200)

TAIPEI, DEC. 28 (AP)--A WAVE OF ARRESTS IN SHANGHAI SINCE THE CHINESE COMMUNISTS ANNOUNCED MAO TZE-TUNG WAS STEPPING DOWN AS CHIEF OF GOVERNMENT, WAS REPORTED TODAY BY A FORMOSA NEWSPAPER.

THE ENGLISH-LANGUAGE CHINA POST QUOTED WHAT IT CALLED WELL-INFORMED SOURCES FOR ITS REPORT BUT GAVE NO CLUE TO THEIR IDENTITY.

THE NEWSPAPER SAID ON THE NIGHT OF DEC. 17 ALONE COMMUNIST SOLDIERS AND POLICE ARRESTED MORE THAN 1,000 PERSONS IN THE SHANGHAI SLUMS AND EXECUTED SOME OF THEM ON CHARGES OF BEING UNDERGROUND REACTIONARY CHRISTIANS.

ARRESTS ARE BEING CARRIED OUT EVERY DAY, THE NEWSPAPER SAID, WITH MORE THAN 700 CHRISTIANS AMONG THOSE SEIZED.

IT SAID CHRISTIANS IN SHANGHAI WERE NOT ALLOWED TO CELEBRATE CHRISTMAS OR PUT UP CHRISTMAS TREES. POLICE MADE EXTENSIVE SEARCHES FOR CHRISTMAS CARDS, IT ADDED.

THE ANNOUNCEMENT THAT MAO IS STEPPING DOWN WAS MADE 11 DAYS AGO. ON FORMOSA, NATIONALIST POLICE APPEALED TO THE 800,000 ISLANDERS TO INTENSIFY THEIR VIGILANCE AGAINST SPIES AND OFFERED REWARDS UP TO \$3,750 FOR INFORMATION LEADING TO THE ARREST OF COMMUNIST AGENTS.

THE NATIONALISTS, IN AN APPEAL SENT TO NEWSPAPERS, SAID THE COMMUNISTS PROBABLY WOULD STEP UP A CAMPAIGN OF SUBVERSION AND INFILTRATION TO OFFSET FAILURE IN THE BATTLE OF QUEMOY.

THE QUEMOYS WERE QUIET TODAY -- THE 29TH CONSECUTIVE EVEN-NUMBERED DAY RED GUNS ON THE MAINLAND HAVE BEEN SILENT UNDER THEIR PATTERN OF SHELLING ONLY ON ODD-NUMBERED DAYS.

S7420PES

86WX

ADVANCE FOR 6:30 P.M. EST TODAY

(450) ATOMIC FUTURE

(ADVANCE) WASHINGTON, DEC. 28 (AP)-ELECTRIC POWER FROM ATOMIC PLANTS COULD BE AS CHEAP AS CONVENTIONAL ELECTRICITY NOW IN ALASKA AND SOON IN PARTS OF CALIFORNIA.

BUT COMPETITIVE ATOMIC POWER MAY STILL BE 20 YEARS OFF IN TEXAS.

THESE WERE AMONG OPINIONS EXPRESSED BY TECHNICIANS AND INDUSTRY SPOKESMEN IN A COLLECTION PUBLISHED TODAY BY THE SENATE-HOUSE ATOMIC ENERGY COMMITTEE.

THE COMMITTEE HAD INVITED COMMENTS ON ITS SUGGESTIONS FOR A SPELLING OUT OF U.S. ATOMIC ENERGY OBJECTIVES. A KEY PROPOSAL WAS TO AIM FOR "ECONOMIC NUCLEAR POWER IN THE UNITED STATES BY 1970 AND IN HIGH COST FREE WORLD NATIONS BY 1968."

THOSE DATES, AS MUCH AS ANY COMMITTEE PROPOSAL, INSPIRED COMMENT BY THE 69 PERSONS WHO REPLIED TO A QUESTIONNAIRE.

SEVERAL MADE THE POINT THAT CONDITIONS VARY GREATLY WITHIN THE UNITED STATES--ESPECIALLY THE AVAILABILITY AND COST OF WATER POWER, OIL OR COAL. NO ONE DATE CAN BE FIXED FOR THE COUNTRY AS A WHOLE WHEN NUCLEAR POWER COULD BE BROUGHT DOWN TO THE PRICE OF CONVENTIONAL ENERGY, THEY SAID.

OTHERS SAID, TOO, THAT FUELS GENERALLY ARE SO MUCH MORE EXPENSIVE IN EUROPE THAT THERE MAY WELL BE MORE THAN A TWO-YEAR GAP BETWEEN THE ACHIEVEMENT OF COMPETITIVE NUCLEAR POWER THERE AND IN THIS COUNTRY.

PACIFIC GAS & ELECTRIC CO. OF SAN FRANCISCO WROTE THE COMMITTEE IT EXPECTS TO COMPLETE A 60-MEGAWATT NUCLEAR PLANT ON HUMBOLDT BAY IN 1962 AND THAT SOON THEREAFTER THE PLANT WILL BE COMPETING WITH CONVENTIONAL POWER IN THAT CALIFORNIA AREA.

A COMMONWEALTH EDISON CO. STATEMENT BACKED PACIFIC'S CLAIM, BUT COMMENTED THAT "VERY FEW OF US BELIEVE THAT NUCLEAR POWER CAN COMPETE . . . IN THE HEART OF THE TEXAS OIL AND GAS FIELDS UNTIL LONG AFTER 1970."

THOSE WHO THOUGHT 1970 A SOMEWHAT OVER-OPTIMISTIC DATE SEEMED TO HAVE THE EDGE--BUT THERE WAS STRONGLY EXPRESSED OPINION THE OTHER WAY.

EDWARD T. HELLER, CHIEF NUCLEAR ENGINEER FOR THE H. K. FERGUSON CO. OF CLEVELAND, OHIO, WROTE THE COMMITTEE THERE WAS "A SPORTING CHANCE" OF ACHIEVING COMPETITIVE ATOMIC POWER IN HIGH COST EUROPEAN AREAS BY 1963 AND IN THE UNITED STATES BY 1965. THIS SHOULD BE THE GOAL, HE SAID.

SEVERAL INDUSTRY SPOKESMEN EMPHASIZED THAT CIVILIAN POWER DEVELOPMENT SHOULD BE ACHIEVED WITHOUT IMPAIRING PRIVATE ENTERPRISE. THEY SAID INDUSTRY SHOULD HAVE THE GREATEST POSSIBLE FREEDOM IN MAKING ITS OWN DECISIONS ON HOW TO PROCEED.

A. B. GRENINGER OF GENERAL ELECTRIC CO. SAID PERHAPS THE BEST WAY TO ACHIEVE THIS GOAL WOULD BE TO LET FEDERAL AID TAKE THE FORM OF A SUBSIDY, RATHER THAN THE MORE COMPLICATED AND SOMETIMES RESTRICTIVE PARTNERSHIP ARRANGEMENTS NOW MADE.

IN A STATEMENT ACCOMPANYING THE REPORT, THE COMMITTEE CHAIRMAN, REP. CARL BURHAM (D-NC), AND THE VICE-CHAIRMAN, SEN. CLINTON P. ANDERSON (D-NM), SAID THEY WERE ENCOURAGED BY "GENERAL AGREEMENT BY INDUSTRY ON THE NEED FOR A CLEAR-CUT, LONG RANGE ATOMIC POWER PROGRAM."

THE COMMITTEE PLANS A SESSION WITH INDUSTRY REPRESENTATIVES NEXT MONTH.

END ADVANCE FOR 6:30 P.M. EST TODAY.

JC433PES

30.24- 5673

A98WX

(280) ADVANCE FOR 6:30 PM EST TODAY

SMALL BUSINESS

(ADVANCE) WASHINGTON, DEC. 28 (AP)-PENTAGON OFFICIALS WHO SPEND BILLIONS ON MISSILES AND OTHER MILITARY HARDWARE GOT A PUBLIC REPRIMAND TODAY FOR NOT AWARDED MORE CONTRACTS TO SMALL FIRMS.

IT CAME FROM THE SENATE SMALL BUSINESS COMMITTEE IN AN ANNUAL REPORT SUGGESTING HALF A DOZEN STEPS FOR GIVING THE LITTLE FELLOWS A LARGER SHARE.

SEN. JOHN SPARKMAN (D-ALA), CHAIRMAN OF THE COMMITTEE, SAID SMALL BUSINESS RECEIVED 17.1 PER CENT OF DEFENSE CONTRACT DOLLARS IN THE FISCAL YEAR ENDING LAST JUNE 30. HE SAID THIS CONTINUED A DECLINE OF RECENT YEARS.

THE REPORT SAID THAT IN THE FIRST 10 MONTHS OF THIS YEAR "SMALL BUSINESS RECEIVED A NEGLIGIBLE 3.2 PER CENT OF ALL RESEARCH AND DEVELOPMENT CONTRACTS LET BY THE DEFENSE DEPARTMENT."

"THIS CONTRIBUTES TO THE CONTINUING DECLINE OF SMALL BUSINESS PARTICIPATION IN OVERALL DEFENSE PROCUREMENT," THE REPORT SAID, "FOR UNLESS A COMPANY ENTERS THE PICTURE DURING THE RESEARCH AND DEVELOPMENT STAGE, ITS CHANCES OF OBTAINING PRODUCTION CONTRACTS FOR THE DEVELOPED ITEM ARE MINIMAL."

SPARKMAN SAID GROUPS OF SMALL FIRMS SHOULD BE ENCOURAGED TO JOIN FORCES ON DEFENSE CONTRACTS THEY ARE UNABLE TO CARRY OUT INDIVIDUALLY. HE SAID DEFENSE AND OTHER GOVERNMENT AGENCIES SHOULD MAKE SCIENTIFIC KNOW-HOW AVAILABLE TO THE SMALLER FIRMS.

THE REPORT SAID SMALL BUSINESS OBTAINED MORE THAN ONE BILLION DOLLARS OF DEFENSE CONTRACTS THROUGH SET ASIDES THIS YEAR. THESE ARE CLASSES OF PURCHASES THAT CONGRESS HAS DIRECTED BE EARMARKED FOR SMALL BUSINESS. SPARKMAN URGED AN INCREASE IN THESE PURCHASES.

DEFENSE OFFICIALS TESTIFIED THERE HAS BEEN A TREND TO COMPLEX AND COSTLY ITEMS THAT SMALL BUSINESS IS UNABLE TO PRODUCE--SUCH AS LARGE MISSILES, NUCLEAR SUBMARINES AND SUPERSONIC AIRCRAFT.

END ADVANCE FOR 6:30 PM EST TODAY

CZ&JC612PES NM

A92LA

LA OUT (250)

LOS ANGELES, DEC. 28 (AP)-A WORLD WAR II JAPANESE FLEET COMMANDER SAYS IN A LETTER TO A CALIFORNIA SCHOOLBOY THAT HE WITHDREW FROM THE CRUCIAL BATTLE OF LEYTE GULF TO AVOID A TRAP.

VICE ADM. KIYOHIDE SHIMA, AFTER 14 YEARS OF SILENCE ON ONE OF THE WAR'S MOST PUZZLING MYSTERIES, EXPLAINED HIS REASONS FOR THE WITHDRAWAL TO 16-YEAR-OLD BILL FRAZER OF SUBURBAN PACOIMA.

YOUNG FRAZER, WHO HAD WRITTEN THE ADMIRAL IN JAPAN TO ASK WHY HE WITHDREW HIS FLEET FROM THE BATTLE IN OCTOBER, 1944. THE YOUTH SAID TODAY HE WAS EXTREMELY PLEASED AT THE RESPONSE. HE PLANS TO USE THE INFORMATION IN A HIGH SCHOOL TERM PAPER.

"I HOPE I GET AN A," HE SAID.

THE ADMIRAL'S SECOND DIVISION PULLED OUT OF THE FATEFUL BATTLE IN SURIGAO STRAIT WHILE AMERICAN FORCES FOUGHT BITTERLY FOR A FOOTHOLD ON LEYTE ISLAND IN THE U.S. INVASION OF THE PHILIPPINES.

SHIMA WROTE FRAZER THAT HIS FLAGSHIP, THE HEAVY CRUISER NACHI, COLLIDED WITH ANOTHER JAPANESE CRUISER EARLY IN THE BATTLE. THE SMASHED BOW AND REDUCED SPEED TO A TOP OF 20 KNOTS, THE ADMIRAL SAID, FORCED

HIM TO MAKE A SUDDEN SWITCH IN HIS PLANS TO ATTACK.

HE SAID THIS ACCIDENT, COUPLED WITH WHAT HE CALLED COMPLETE DESTRUCTION EARLIER OF THE JAPANESE FIRST DIVISION, COMMANDED BY VICE ADMIRAL NISHIMURA, MADE HIM CONCLUDE THE AMERICANS WERE WAITING "WITH ALL THEIR MIGHT READY."

"IT WAS QUITE CLEAR THAT WE SHOULD ONLY FALL INTO A READY TRAP," THE ADMIRAL SAID. "I CONSIDERED ALL SUCH THINGS--EVENTS, CIRCUMSTANCES, POSSIBILITIES. THEN I CAME TO MY DECISION THAT IT WOULD BE BETTER TO RETREAT FROM THE STRAIT AND WAIT A CHANCE TO KNOW HOW EVERYTHING WENT."

THE 2,000-WORD REPLY WAS PUBLISHED IN FULL TODAY BY THE LOS ANGELES EXAMINER UNDER ITS COPYRIGHT. THE NEWSPAPER SAID THE LETTER "IS CERTAIN TO BECOME ONE OF THE GREAT HISTORICAL DOCUMENTS OF THE WAR IN THE PACIFIC."

DB247PPS NM

A149 (AGENCIES OUT)

(900)

AP FOREIGN SERVICE ADVANCE FOR MONDAY AMS DEC. 29

COMMON MARKET---I

EDITOR'S NOTE--A REVOLUTION IS TAKING EFFECT IN EUROPE THIS WEEK WITH THE LAUNCHING OF A COMMON MARKET TYING TOGETHER SIX COUNTRIES. THIS IS THE FIRST OF THREE STORIES SHOWING WHAT EFFECT THE UNION OF TRADE MAY HAVE ON EUROPE AND THE UNITED STATES.

-DASH-

BY DAVID MASON

(ADVANCE) PARIS, DEC. 28 (AP)--"THE IMPERTINENT JEALOUSY OF MERCHANTS AND MANUFACTURERS," WROTE THE OLD SCOT, "IS AS FATAL TO THE REPOSE OF EUROPE AS THE CAPRICIOUS AMBITION OF KINGS AND MINISTERS."

HE CALLED ON GOVERNMENTS TO TAKE COVETOUS RESTRICTIONS OFF TRADE SO IT COULD BECOME "A BOND OF UNION AND FRIENDSHIP."

NOW, 182 YEARS LATER, THE HEARTLAND OF WESTERN EUROPE IS ABOUT TO MOVE CAUTIOUSLY INTO LINE WITH FREE TRADER ADAM SMITH.

UNDER THE DIN OF HORNS AND WHISTLES, AND SHOUTS OF "HAPPY NEW YEAR," CENTURIES-OLD TRADE BARRIERS ENCIRCLING A HALF-DOZEN NATIONS WILL BEGIN TO CRUMBLE.

THE EUROPEAN ECONOMIC COMMUNITY--A SIX-NATION COMMON MARKET--WILL START TO EMERGE FROM THE CAREFULLY, HOPEFULLY WRITTEN PAGES OF A TREATY SIGNED IN ROME LAST YEAR.

IN THE MARCH TOWARD AN ECONOMICALLY, PERHAPS POLITICALLY, UNITED EUROPE ARE BELGIUM, WEST GERMANY, FRANCE, ITALY LUXEMBOURG AND THE NETHERLANDS.

THEY HOPE OTHER NATIONS OF EUROPE WILL JOIN THEIR EXPERIMENT "TO STRENGTHEN THE SAFEGUARDS OF PEACE AND LIBERTY."

PLANNERS OF A UNITED EUROPE, IN HEEDING THE WORDS OF ADAM SMITH, SEE NO OTHER WAY TO INSURE THE REPOSE OF EUROPE. THEY POINT TO THREE CRIPPLING WARS IN THE LAST 88 YEARS AND THE SHUDDERING POSSIBILITY OF NEW CLASHES TOUCHING OFF NUCLEAR DESTRUCTION.

EVERYWHERE THE APOSTLES OF A UNITED EUROPE SEE THE COMMON MARKET DRAWING PEOPLE TOGETHER. SOME EVEN SEE THE POSSIBILITY OF A COMMON LANGUAGE--WITH ENGLISH CONSIDERED AS A STRONG COMPETITOR TO FRENCH. A VAST COMPLEX OF INTER-EUROPEAN TRADE ASSOCIATIONS HAS ALREADY BEGUN TO GROW. THE MECHANICAL INDUSTRY, FOR INSTANCE, HAS ALREADY 20 TRADE COMMITTEES AS WORK. EUROPE-WIDE ADVERTISING SCHEMES ARE SURE.

ONE EUROPEAN ACTIVITY IS EXPECTED TO SUFFER SHARPLY--WAR MAKING.

WHAT WILL HAPPEN NEW YEAR'S DAY?

ONLY THE GOVERNMENT LEADERS, CIVIL SERVANTS AND ECONOMISTS WHO HAVE PORED OVER 248 ARTICLES OF THE TREATY OF ROME CAN BEGIN TO GIVE A PRECISE ANSWER. EVEN THEN, THERE ARE SUBSTANTIAL UNKNOWN AREAS. THE SMALL PACED REVOLUTION WILL HAVE NO AUDIBLE RUMBLINGS AND "LITTLE EUROPE'S" MILLIONS WILL HARDLY REALIZE WHAT'S GOING ON AT FIRST. BUT INEXORABLY THE LIVES OF EVERY ONE WILL BE AFFECTED.

THE TEETH OF THE TREATY WILL BEGIN TO CLOSE IN AT LEAST FOUR FIRM AND SPECIFIC WAYS JAN. 1. IN GENERAL THIS IS THE WAY IT WILL WORK:

1. BASIC CUSTOMS DUTIES OR TARIFFS--THE AMOUNT PAID TO A GOVERNMENT BY ANYONE WHO SHIPS PRODUCTS ACROSS A FRONTIER--WILL BE TRIMMED 10 PER CENT.

2. QUANTITATIVE RESTRICTIONS--THE LIMITATIONS ON THE AMOUNT OF PRODUCTS ONE COUNTRY LETS THE FIVE OTHERS SHIP IN--WILL BE RELAXED BY 20 PER CENT OF THEIR OVER-ALL VALUE. THIS RELAXATION WILL NOT BE THE SAME FOR EVERY INDIVIDUAL ITEM, BUT:

3. THE NEW QUOTA ON EACH TRADE ITEM MUST BE AT LEAST THREE PER CENT OF THE NATIONAL OUTPUT OF THE ITEM IN THE COUNTRY CONCERNED. THUS IF A NATION PRODUCED 100,000 AUTOMOBILES IN 1958 AND LET NO CARS IN FROM ITS FIVE NEIGHBORS, THE NATION MUST OPEN ITS FRONTIERS TO AT LEAST 3,000 CARS IN 1959.

4. THE EXTERNAL TARIFF WALL AROUND THE COMMUNITY WILL BE LEVELED OUT. THE HIGH TARIFFS OF FRANCE AND ITALY WILL IN GENERAL GO DOWN. THE LOWER TARIFFS OF WEST GERMANY, BELGIUM, THE NETHERLANDS AND LUXEMBOURG WILL GO UP. IN THIS WAY MANUFACTURERS WITHIN THE COMMON MARKET WILL HAVE UNIFORM PROTECTION AGAINST ITEMS MORE CHEAPLY PRODUCED BY BRITAIN, THE UNITED STATES, JAPAN AND OTHER HIGHLY INDUSTRIALIZED COUNTRIES.

CRITICS OF THE COMMON MARKET CONTEND THAT THE SIX NATIONS WILL BE SETTING UP AN EXCLUSIVE PROTECTIONIST CLUB WITH ITS OWN FIRM WALL AGAINST THE OUTSIDE WORLD. THE COMMON MARKET'S MORE LIBERAL ADVOCATES SAY IT IS A STEP TOWARD INTERNATIONAL FREE TRADE. ARTICLE 18 OF THE TREATY ENCOURAGES MEMBER STATES TO NEGOTIATE JOINTLY WITH THE OUTSIDE COUNTRIES FOR MUTUAL TARIFF CUTBACKS. THE PROVISION HAS BEEN INTERPRETED PRIMARILY AS AN INVITATION TO THE UNITED STATES TO SWING OPEN HER TRADE DOORS TO EUROPE.

PROVISIONS OF THE ROME TREATY WHICH TAKE EFFECT THURSDAY ARE JUST A CAUTIOUS START TOWARD A GOAL OF LIBERALIZATION. THE TARGET DATES ON WHICH THE COMPLEX JOB IS TO BE FINISHED VARY FROM 12 TO 15 YEARS, BUT COULD COME SOONER IF THE GROWING PAINS PROVE LESS SEVERE THAN EXPECTED.

IN PRINCIPLE, BY 1972 AT THE LATEST, THE SIX NATIONS OF EUROPE WILL BE AS FREE TRADING ZONE AS THE 48 UNITED STATES.

ALTHOUGH THE ROME TREATY IS BASICALLY AIMED AT CURING THE ECONOMIC AND POLITICAL ILLS OF "LITTLE EUROPE," ITS PROVISIONS WILL EXTEND TO BROAD AND RICH AREAS OF AFRICA AND SCATTERED POINTS ON THE REST OF THE GLOBE. THE VAST NON-EUROPEAN POSSESSIONS OF FRANCE AND BELGIUM, AND THE LESSER OVERSEAS TERRITORIES ADMINISTERED BY ITALY AND THE NETHERLANDS WILL BE BROUGHT INTO ASSOCIATION WITH THE COMMON MARKET. THE SAME BASIC FREEDOM OF COMMERCE WILL APPLY THROUGHOUT. THUS WEST GERMANY, HIGHLY INDUSTRIALIZED WITHOUT COLONIES, CAN DIP FREELY INTO AFRICA'S VAST STOREHOUSE OF RAW MATERIALS.

THE COMMON MARKET NATIONS INTEND TO SET UP AN INVESTMENT FUND TO DEVELOP OVERSEAS AREAS--A MATTER WITH PARTICULAR PORTENTS FOR FRANCE'S EMERGING OIL AND MINERAL RESOURCES IN THE SAHARA.

TO IMPLEMENT THE FREE TRADE MACHINE, A VAST ADMINISTRATIVE COMPLEX HAS BEEN SPELLED OUT IN THE TREATY. INCLUDED ARE A COMMISSION CHARGED WITH THE BASIC ADMINISTRATION, A PARLIAMENTARY ASSEMBLY WITH REAL POWERS, A COUNCIL OF MINISTERS, A COURT FOR ECONOMIC CLAIMS, AND AN ECONOMIC AND SOCIAL COMMITTEE TO HELP EASE THE BLOWS WHICH INEVITABLY WILL BE SUFFERED BY INDUSTRIAL READJUSTMENT.

HERE ARE THE SEEDS OF POLITICAL UNION.

ALTHOUGH THE PROBLEMS OF THE NEW COMMUNITY MAY BE GREAT AT THE START, ARTIFICIAL RESTRICTION OF TRADE IN WESTERN EUROPE IS CLEARLY ON THE WAY OUT.

THIS, IN THE WORDS OF THE TREATY MAKERS, SHOULD LEAD TO "THE ESSENTIAL PURPOSE OF CONSTANTLY IMPROVING THE LIVING AND WORKING CONDITIONS OF THEIR PEOPLES."

--O--

TOMORROW: HOW BUSINESS MEN VIEW THE COMMON MARKET
END ADVANCE FOR AMS OF MONDAY DEC. 29--MOVED DEC. 27.

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